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STATE FOR AF/EPS ABREITER, EREPKO  
STATE FOR EEB/IFD/OMA ASNOW, RFIGUEROA

SENSITIVE  
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E.O. 12958: N/A  
TAGS: [EAID](#) [ECON](#) [PREL](#) [MA](#) [CN](#)  
SUBJECT: MADAGASCAR/COMOROS RESPONSE RE FISCAL  
TRANSPARENCY IN COUNTRIES RECEIVING USG ASSISTANCE

REF: STATE 16737

1. (SBU) Post replies to Reftel questions below for Madagascar:

Madagascar  
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1A. Host country's budget is made public.

1B. Budget is made public via publication.

1C. Revenues and expenditures: The GOM has worked at length with the World Bank and other donors to improve its budget tracking and expenditure system. The GOM has also worked with the IMF to reform its tax code and improve revenue collection. With these efforts in mind, the Budget includes a majority of public revenues and expenditures.

1D. Meaning and accuracy of revenues and expenditure info: The World Bank and other donors provide direct budget support, thus they have access to the entire budget. Our World Bank colleagues confirm the budget is accurate. The problem comes in budget execution throughout the fiscal year, which is subject to various implementation problems and inefficiencies.

1E. Weak fiscal transparency, capacity or will: To the extent fiscal transparency needs to be improved, it is due to lack of capacity. Political will, at a minimum, is evidenced by the GOM hosting a U.S. Treasury Budget Advisor at the Ministry of Finance.

1F. USG programs to strengthen the host country's capacity to develop sound fiscal policies that support transparency and good governance: U.S. Treasury Budget Advisor. USAID and MCC, via their programs, also address transparency and good governance.

1G. Other donor countries or multilateral institutions providing assistance in these areas: World Bank, IMF, EU, French, GTZ.

2. (SBU) Post replies to Reftel questions below for Union of the Comoros:

Union of the Comoros  
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1A. Host country's budget is made public.

1B. Budget is made public via publication.

1C. Revenues and expenditures: Most revenues are accounted; they are almost entirely trade tariffs. Expenditures are limited to debt finance and civil servant salaries. The complicated federal structure, with a national "Union" government and three semi-autonomous island governments, includes specific budget

arrangements that are subject to close public scrutiny.

D. Meaning and accuracy of revenues and expenditure info:

In Union President Sambi's own words, "after I make debt payments and pay salaries, there is nothing left." The Union Government is in near-constant cash crisis. Public salaries are in arrears; public works are only done if funded by donors.

E. Weak fiscal transparency; capacity or will: Capacity is very weak throughout Government.

F. USG programs to strengthen the host country's capacity to develop sound fiscal policies that support transparency and good governance: The USG funded the National Democratic Institute to conduct an assessment of the Comoros' federalist structures, including the budget arrangement. The team created a road-map for implementing better governance and public finance management.

G. Other donor countries or multilateral institutions providing assistance in these areas: Very few other donors exist. The French have advisors. The IMF was ready to sign a new Program in mid-2007, but had to delay given the ongoing Anjouan problem.

MARQUARDT